

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple - Suite 1210  
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SMALL MINING OPERATIONS 2008 PROGRESS REPORT  
January 1, 2008 to December 31, 2008

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DIV OF OIL, GAS & MINING

The information required in this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, and the rules as under the Utah Minerals Regulatory Program.

1. Mine Permit Number: S0/100/57
2. Mine Name: Sliver 3-4
3. Name of Operator/Permittee: Penney's Gemstones LLC

Note: If Operator's address, company representative or phone number have changed, please provide a replacement page to the Notice of Intention.

4. Mine Location: No Change from file
5. Report the gross amount of ore mined and waste moved, as well as the current disposition of the material (sold, stockpiled, regraded, etc.):

|                      |                 |                   |
|----------------------|-----------------|-------------------|
| Gross Ore Mined      | <u>50</u>       | Tons              |
| Waste Material Moved | <u>100</u>      | Tons              |
| New Disturbance      | <u>0</u>        | Acres during 2008 |
| Area Reclaimed       | <u>0</u>        | Acres during 2008 |
| Total Disturbed Area | <u>see file</u> | Acres*            |

\*Total life of mine disturbance to the end of 2008.

Was the ore shipped off site? If not, where is the ore located? Yes the gem material was shipped off site

Where is the waste located? on the existing disturbance

6. Briefly describe the reclamation work performed during the past year. A map showing reclaimed areas and dates is suggested. (Submit form MR-SITE for an application for full or partial bond/site release).

N/A

I hereby certify, under penalties of law, the information provided in this report is true and correct to the best of my knowledge and belief.

Name (Typed or Print): David L. Penney

Title of Operator: owner/operator/registered agent

Signature of Operator: David Penney

Date: December 29, 2008